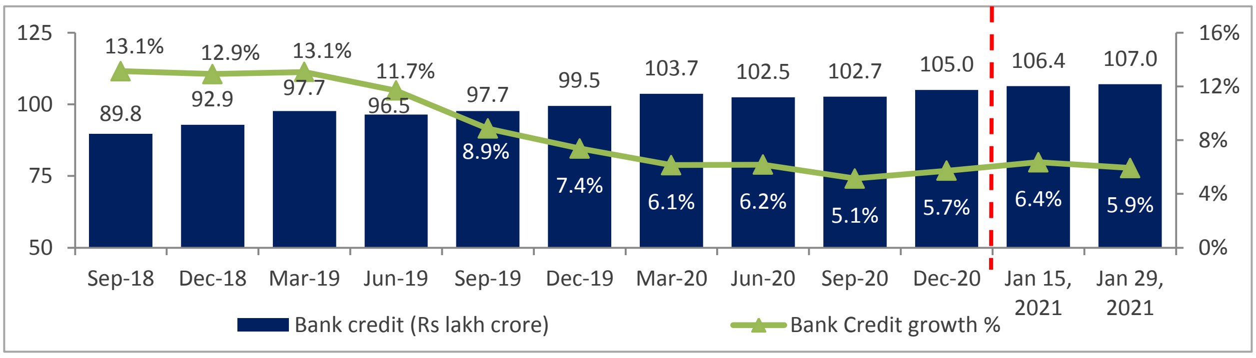
CARE Ratings'
Banking Review
February 16, 2021 I BFSI

Growth in deposits and credit declined vs. growth in the last fortnight

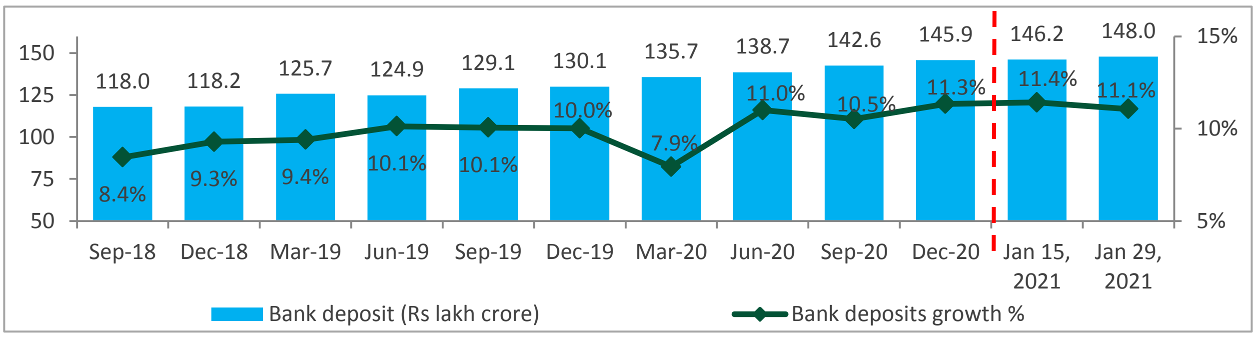
Figure 1: Growth of Bank Credit (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The bank credit growth decelerated to 5.9% for the fortnight ending Jan 29, 2021, compared with 6.4% growth registered during fortnight ended January 15, 2021 and 8.3% growth (January 31, 2020) witnessed in the same period last year. Furthermore, the credit growth is also lower by ~60 bps than the levels observed in early months of pandemic (e.g. average bank credit growth in March and April 2020 was ~6.5%). The incremental credit growth has been lower during last two fortnights, 3.2% for the fortnight ended January 29, 2021 and 2.6% for the fortnight ended January 15, 2021 compared with last year (~3.5% incremental growth registered during fortnight ended January 31, 2020). In absolute terms, incremental bank credit increased by around Rs.3.3 lakh crore in the last fortnight ending Jan 29, 2021. The credit growth is largely supported by the growth in retail segment led by various offers announced by banks to push retail housing finance.

Figure 2: Growth of Bank Deposits (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- Deposit growth declined marginally during the fortnight ended January 29, 2021 compared with 11.4% during the fortnight ended January 15, 2021, but increased compared to previous year (9.9% growth during fortnight ended January 31, 2020). Moreover, as on January 29, 2021 the liquidity surplus in the banking system stood at Rs.5.76 lakh crores. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently. However, government borrowings (Central: Rs. 20,920 crores and States: Rs. 28,456 crores) limited the banking system liquidity surplus during the fortnight. However, banking system liquidity is expected to remain in a surplus position aided by sustained growth in bank deposits as against slower growth in the bank credit. However, going forward the banking system liquidity surplus could witness moderation owing to additional government borrowing program announced in the budget.

- As given in Figure 3, time deposits account for 88.6% of aggregate deposits (89.3% share as on January 31, 2020) grew at a slower pace compared to demand deposits which account for the balance 11.4% (10.7% share as on January 31, 2020).

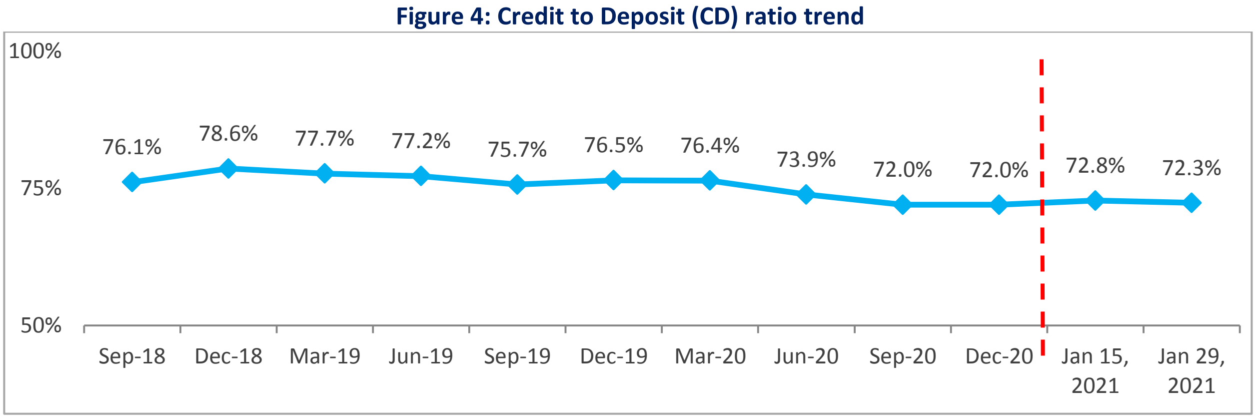
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Jan 15, 2021	Jan 29, 2021
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.7	15.7	16.9
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	15.7%	18.0%	18.3%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	129.2	130.5	131.1
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.8%	10.7%	10.2%

Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The Credit to Deposit (CD) ratio largely stood at similar levels as compared to last fortnight, but remained low compared to March 2020 as well as last year's level; owing to a faster rise in deposits and slower growth in credit. On the other hand, if we assume credit investments (includes regular credit investments and investments due to TLTROs, PCGS, etc.) to be at Rs.8.3 lakh crores (at November 2020 level as per latest data released by RBI) for the fortnight ended January 29, 2021, then the CD ratio would be ~78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in Mar-20) for the fortnight ended January 29, 2021, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.4 lakh crores, roughly equivalent to surplus liquidity held by banking system.

Figure 4: Credit to Deposit (CD) ratio trend

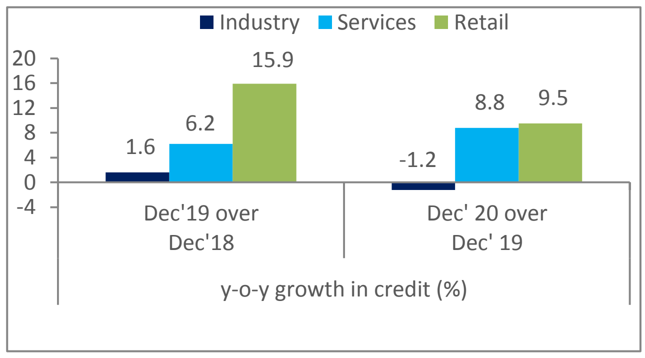


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

Bank credit growth has been mainly led by increase in retail loans

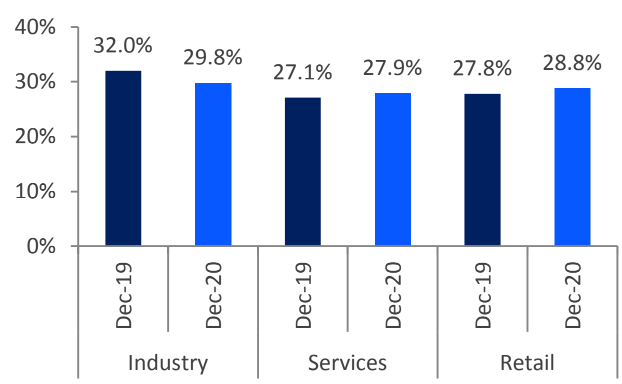
- The retail and agriculture & allied segment have driven overall credit growth December 2020 growing by 9.5% and 9.4% respectively. Retail segment accounted for 28.8% share of the total credit during the period as compared to 27.8% a year ago.
- Services segment outstanding credit grew by 8.8% while the industrial segment registered de-growth of 1.2% during the same period.

Figure 5: Trend in sectoral credit growth (%)



Source: RBI, CARE Ratings (refer report '*Bank Credit Profile: December 2020 – Incremental credit growth turned positive*')

Figure 6: Sectoral Distribution of Credit: December 2020



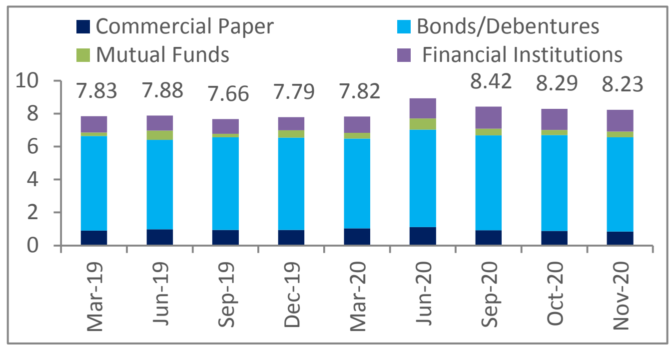
Note: The remaining percentage share in both Dec-19 and Dec-20 accounts for 'Food Credit' and 'Agriculture & Allied Activities'
Source: RBI, CARE Ratings (refer report *'Bank Credit Profile: December 2020 – Incremental credit growth turned positive'*)

- The share of industrial segment continues to be the highest in the total outstanding credit followed by retail and services segment.
- Large industries account for 82.1% share (83.1% share in December 2019) in the total outstanding credit to industries and this segment reported a reduction of 2.4% in December 2020 vs. a growth of 1.8% in December 2019.
- Micro, small & medium (MSME) industries grew by 4.4% in December 2020 (which only offset the fall in large segments marginally) as compared with a de growth of 0.6% in December 2019. This was supported by ECLGS disbursements. Within MSME, micro & small industries registered a growth of 1.2%, while medium industries registered a growth of 15.3%. Large industries registered a de growth, resultantly the overall industry registered a negative growth.
- Though infrastructure has the maximum share of 36.3% in the bank credit outstanding to industries, it registered a de growth of 2.6% as of December 2020 as compared with a growth of 5.9% a year ago.
- Trade and Tourism, Hotels & Restaurant segment registered a growth of 14.7% and 14.5% respectively (5.8% and 15.3% in December 2019). Professional services segment registered a de growth of 25.6% during the month. Of total 9 segments, 8 segments registered growth.
- NBFCs which form the largest part in the credit outstanding to the services sector (30.6% share in December 2020) has registered a slower growth of 8.4% as compared with 27.6% in December 2019, due to higher base effect, risk aversion in banking system and investment by banks in NBFCs through various capital market instruments supported by RBI/Government of India. Trade and commercial real estate segment has a share of 22.9% and 9.0% in the total credit outstanding to the services sector.
- Housing loans continues to remain the single largest segment of lending in outstanding credit to retail/personal loan portfolio at 52.3% share of the credit outstanding in the personal/ retail loan segment. However, the growth has slowed down to 8.1% in December 2020 as compared with 17.6% in December 2019.

Bank credit investments increased from a year-ago level

- SCBs credit investments increased by 4.0% in November, 2020 compared with the year-ago period (8.4% y-o-y growth in November 2019) aided by LTRO, TLTRO, PCG schemes of RBI/Government of India.
- However, SCBs credit investments stood at 8.0% of the total bank credit, as of November 2020 (similar level observed in the previous year).
- Bonds and debentures accounted for the highest share in SCBs credit investments at 69.4% in November 2020 (vs. 71.0% share in November 2019), followed by financial institutions and CPs at 16.0% and 10.3%, respectively (10.4% and 12.5% respectively in November 2019) and mutual funds at 4.3% (6.1% in the year-ago period).
- Within bonds and debentures, private corporate bonds and debentures accounted for 53.0% share of bonds/debentures; the public sector accounted for 22.0% and others account for the balance 25.0%.
- In 9M FY21, total corporate bond issuances amounted to Rs. 5.6 lakh crores, 23% higher than Rs. 4.5 lakh crores in the same period last year. Over 40% of the issuances have been raised by public sector undertakings (PFC, REC, HUDCO, NABARD, NHB, NTPC, NHAI, EXIM, IRFC among others). (Refer report *'Debt Market Updates for December 2020'*)

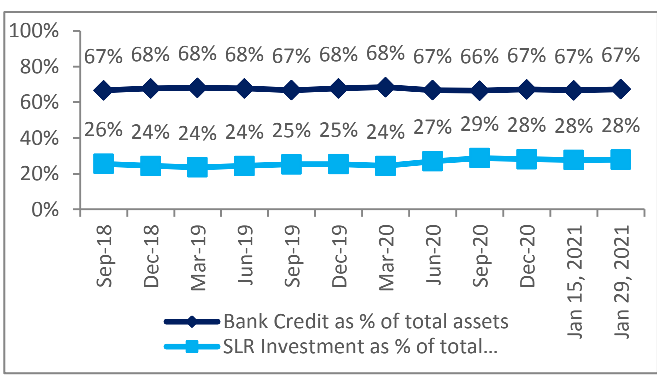
Figure 7: SCBs Credit Investment (Rs in lakh crores)



Source: RBI

Proportion of SLR investment and bank credit to total assets remained stable

Figure 8: Proportion of SLR Investment and Bank Credit to Total Assets



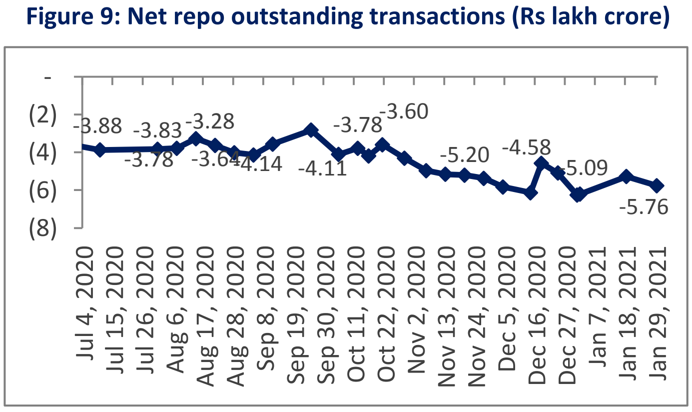
Note: The quarter end data reflects the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings

- The share of bank credit to total assets has stood stable at 67% for the last couple of months.
- Considering credit investment to be at Rs.8.3 lakh crore (November 2020 level), the bank credit to total assets (including credit investments) would have been ~73% as on January 15, 2021.
- Proportion of SLR investment to total assets stood stable at 28% for the last couple of months. In absolute terms, the growth of SLR investments increased to 19.1% YoY as compared with a growth of 18.6% in the previous fortnight (10.4% YoY growth a year ago). Previously, RBI had allowed banks to hold fresh acquisitions of SLR investments under HTM up to an overall limit of 22% up from 19.5% earlier of banks' net demand and time liabilities till March 2022, which has been further extended to March 31, 2023. The HTM limits would be restored from 22% to 19.5% in a phased manner starting from the quarter ending June 30, 2023.

Liquidity in the banking system continued to remain in surplus position

- The outstanding liquidity in the banking system as of January 29, 2021 aggregated Rs.5.76 lakh crore, higher than a month ago (December 29, 2020) level of Rs. 5.57 lakh crore.
- Government borrowings during January 2021 (Central: Rs.0.96 lakh crores and states: Rs.0.75 lakh crores) limited the banking system liquidity surplus.
- Also, the notable widening of liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- As mentioned above, the liquidity surplus is approximate to reduction in Credit Deposit ratio, indicating that the liquidity largely arises out of the credit slowdown.

Figure 9: Net repo outstanding transactions (Rs lakh crore)



Net Repo Outstanding Transactions = Total Repo +MSF (Marginal Standing Facility) + SLF (Standing Liquidity Facility) – Total Reverse Repo; refer report 'Weekly Liquidity Report: 28 December'20 – 1 January'21', Weekly Liquidity Report: January 4 - 8, 2021, 'Weekly Liquidity Report: January 18 - 22, 2021' and 'Weekly Liquidity Report: January 25 - 29, 2021'; Source: RBI

Yields of G-secs declined while corporate bonds increased in secondary market

- As given in *'Debt Market Updates for December 2020'*; weighted average yield of corporate bond issuances across all rating categories and maturities increased by 26 basis points to 6.55% compared with the previous month (6.81% in November 2020) and was 64 bps lower than that in April 2020 (7.19%) aided by liquidity surplus in the banking system.

Figure 10: Issuer-wise corporate bond yields in the primary markets (in %)

AAA rated	AIFs	HFCs	NBFCs	Others*
Sep-19	7.57	7.35	8.19	7.75
Dec-19	7.74	7.36	8.34	6.72
Mar-20	7.30	7.70	7.57	7.62
Jun-20	6.86	6.62	7.03	6.95
Sep-20	6.84	6.04	5.98	6.22
Oct-20	6.19	6.88	5.98	5.94
Nov-20	6.67	5.66	6.47	7.16
Dec-20	6.41	4.93	5.78	6.45

Note: *Others include banks and manufacturing companies.
Source: Prime Database; CARE Ratings' Calculation

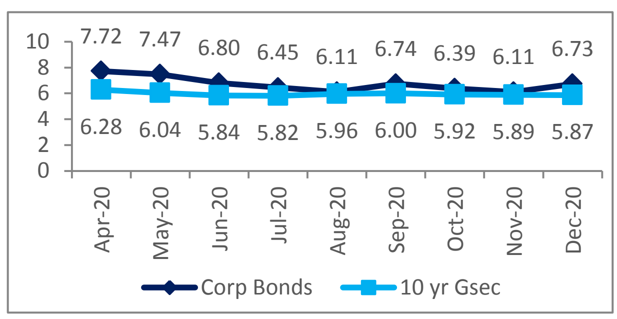
- The cost of issuances for key segments, i.e. All India Financial Institutions (AIFs), Housing Finance Companies (HFCs), Non-Banking Financial companies (NBFCs) and Non-NBFCs in the AAA rating category and the consequent changes in the yields shows mixed picture. On month of month basis, the yields have declined across categories. When compared with November 2020, the weighted average yields of AIFs fell by 26 bps to 6.41% in December 2020. The cost of borrowings by AAA rated HFCs decreased by 73 bps, yields on AAA rated papers issued by NBFCs fell by 69 bps month on month. Others including manufacturing and banks also registered moderation in yields on AAA rated papers by 71 bps in December 2020 over November 2020.

- As can be seen in Figure 11, the secondary market yields of corporate debt securities increased in December from the previous month, while that of government securities witnessed a marginal decline.

- The average yield of the 10 year benchmark GSec declined by 2 bps to 5.87% in December from a month ago. The decline in GSec yields was aided by the RBI's monetary policy (December 2020) decision to continue with the accommodative monetary policy for as long as necessary along with the conduct of OMO purchases and operation twist from time to time. The sharper than expected fall in retail inflation in November 2020 also helped pull down yields.

- Corporate bond yields (weighted average yields across all rating categories and maturities) at 6.73% was 63 bps higher than that in November. In case of commercial paper's too, the average yields rose by 11 bps on a month-on-month basis. The increase in yields of corporate debt securities during the month can be attributed to moderation in demand from mutual funds that witnessed lower net inflows into corporate debt funds and outflows from money market funds amid higher issuances of these securities.

Figure 11: Secondary Market Yields: Gsecs and Corporate Bonds (in %)



Source: FBIL, RBI, FIMMDA and CARE Ratings calculations. Corporate Bonds yields are the weighted average yields across rating categories

Corporate bond spreads moderated in December 2020

Figure 12: Corporate Bond Spreads over GSec: 10-year maturity

Month end (%)	Gsec yield	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
28-Jun-19	6.88	1.25	1.56	1.84	2.21	2.91	3.91	4.21	5.21	5.46	5.96
30-Sep-19	6.70	1.05	1.39	1.69	2.02	3.02	3.72	4.02	5.02	5.27	5.77
31-Dec-19	6.56	1.01	1.31	1.56	1.92	3.32	3.62	4.42	4.92	5.17	5.67
31-Mar-20	6.14	0.81	1.13	1.53	1.73	2.73	3.23	3.73	3.98	4.23	4.48
30-Jun-20	5.89	0.86	1.38	1.81	2.20	3.20	3.70	4.20	4.45	4.70	4.95
30-Sep-20	6.02	0.75	1.24	1.52	1.97	3.47	3.72	4.47	4.72	4.97	5.47
29-Oct-20	5.88	0.61	1.10	1.37	1.83	3.33	3.58	4.33	4.58	4.83	5.33
27-Nov-20	5.91	0.67	1.17	1.51	1.94	3.44	3.69	4.44	4.69	4.94	5.44
31-Dec-20	5.87	0.61	1.12	1.42	1.80	3.30	3.55	4.30	4.55	4.80	5.30

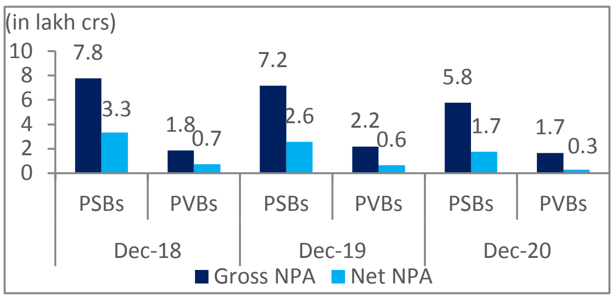
Source: FIMMDA

- The risk perception of corporate bonds moderated in December 2020 from the previous month as was highlighted by the narrowing of the spread between corporate bonds and the bench mark government securities of comparable maturity (10 years).

- The comparison of yield spreads on the last day of December 2020 with that of end November 2020 showed that the yield spreads for corporate bonds across rating categories from AA- to BBB- was 14 bps lower. In case of AAA rated bonds the spread narrowed by 6 bps and for AA+ rated bonds fell by 5 bps.

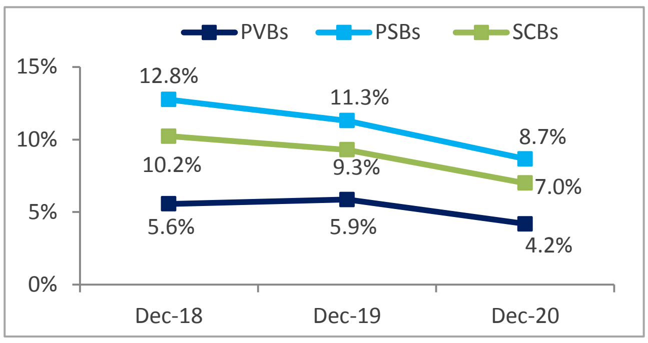
All banks (PSBs and PVBs) posted lower NPAs in Dec-end quarter

Figure 13: Value of gross NPAs



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

Figure 14: GNPA ratio



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

- The quantum of gross NPAs of SCBs declined further to Rs 7.5 lakh crores in the quarter ended Dec-20 as compared with the previous quarter (~Rs 8.0 lakh crores in Q2FY21) and the year-ago period (Rs 9.4 lakh crores in Q3FY20).
- The gross NPAs of PSBs contracted between Dec-18 and Dec-20. Among PSBs, the State Bank of India (SBI) which accounts for the highest share at ~20.0% of the GNPAs of PSBs in Q3FY21 reported the highest asset quality improvement, with a decline in GNPA ratio to 4.8% in Dec-20 (5.3% in Sept-20) vs 6.9% in Dec-20; followed by Punjab National Bank accounting for ~16% share which also posted lower GNPA ratio at 13.0% in Dec-20 (13.4% in Sept-20) vs 16.3% in Dec-19. Similarly, net NPAs also shrank to Rs.1.7 lakh crores in Q3FY21 from Rs.2.6 lakh crores in Q3FY19 reflecting an increase in provision coverage ratio (PCR).
- The GNPA ratio of SCBs improved to 7.0% in the quarter ended Dec-20 against 9.3% in the year-ago period and 7.7% in the Sept-end quarter which was largely driven by PSBs. On an overall basis PSBs accounting for ~78.0% share of GNPAs of SCBs have experienced a drop in the GNPA ratio to 8.7% in the quarter ended Dec-20 against 11.3% in the year-ago period and 9.4% in Dec-20 quarter.
- As the Honourable Supreme Court of India in its order dated September 3, 2020, ordered all banks to not classify Covid-19 related defaults as NPAs until further notice, else the NPAs would have been higher. Following this, majority of the banks have identified accounts which would have been slipped to NPAs and accordingly an estimated provision has been provided during the quarter ended Dec-20.
- Around 22 SCBs have disclosed pro forma GNPAs during the quarter ended Dec-20. However, if the SCBs had classified accounts as NPAs after August 31, 2020, the pro forma GNPA (of 22 SCBs) would have been over Rs 8.0 lakh crores in Dec-20, this indicates that around Rs 1.2 lakh crores (approximately 1.2% of advances of these 22 SCBs) of bad loans exist in the system which is yet to be recognised by the banks. Of Rs 8.0 lakh crores pro forma GNPAs in the banking system, public banks alone (8 PSBs) have reported majority of the pro forma NPAs (total) at over Rs 6.0 lakh crores. Whereas, the balance 14 PVBs reported pro forma GNPAs at over Rs 2 lakh crores. Amongst all SCBs, SBI alone reported highest pro forma GNPA at over Rs 16,000 crores, followed by Punjab National Banks, Union Bank of India and Canara Bank. On the other hand, Yes Bank, ICICI Bank, Axis Bank and HDFC Bank accounted for the highest pro forma GNPAs amongst PVBs.
- However, following this, majority of the banks have kept aside extra provisioning for NPAs that may arise in future, or else the provisions would have been lower than reported in Dec-20. The impact on the banks' balance sheet may be witnessed in the last quarter of FY21 and subsequent period.
- Furthermore, as per RBI's Financial Stability Report, the GNPA ratio of all SCBs may increase from 7.5% in September 2020 to 13.5% by September 2021 under the baseline scenario (RBI's macro stress tests,) and if the macroeconomic environment worsens into a severe stress scenario, the ratio may escalate to 14.8%. Under the baseline scenario, PSBs' GNPA ratio of 9.7% in September 2020 may increase to 16.2% by September 2021; while the GNPA ratio of PVBs may increase from 4.6% to 7.9%, over the same period.
- Further, SCBs capital to risk-weighted assets ratio (CRAR) is projected to drop from 15.6% in September 2020 to 14.0% in September 2021 under the baseline scenario (12.5% under the severe stress scenario). While underlying assumptions for such assessments are currently being discussed, it indicates the need for SCBs to be mindful of the asset quality and take appropriate steps such as to shore up capital. (Refer report "Select Extracts of RBI's Financial Stability Report - January 2021").

Figure 15: Bank-wise GNPA ratio % in Dec-20

	GNPA ratio (%) reported	Proforma GNPA ratio (%)
Axis Bank Ltd.	3.4	4.6
Bandhan Bank Ltd.	1.1	7.1
HDFC Bank Ltd.	0.8	1.4
ICICI Bank Ltd.	4.7	5.4
IDBI Bank Ltd.	23.5	24.3
IDFC First Bank Ltd.	1.3	4.2
IndusInd Bank Ltd.	1.7	2.9
Kotak Mahindra Bank Ltd.	2.3	3.3
RBL Bank Ltd.	1.8	4.6
The Federal Bank Ltd.	2.7	3.4
The Karnataka Bank Ltd.	3.2	4.0
Yes Bank Ltd.	15.4	20.0
Bank Of Baroda	8.5	9.6
Bank Of India	13.3	14.6
Canara Bank	7.5	9.0
Central Bank Of India	16.3	18.2
Indian Bank	9.0	10.4
Punjab National Bank	13.0	14.8
State Bank Of India	4.8	5.4
Union Bank Of India	13.5	15.3

Note: Includes banks that have reported Pro forma GNPA ratio (%); Source: Bank quarterly filings, Ace Equity

Provisions decreased compared to last year's level but increased sequentially

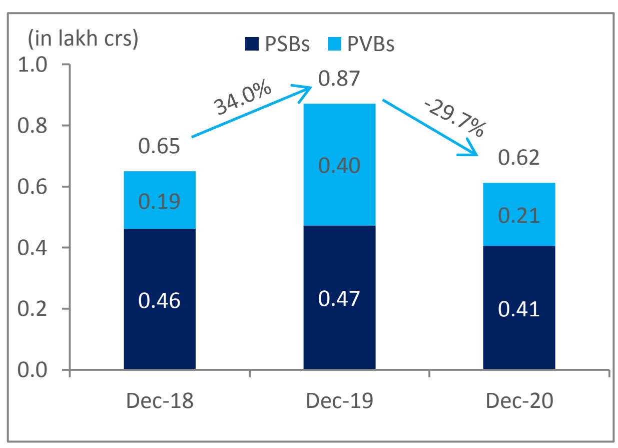
- Provisions of SCBs in the Dec-end quarter declined to Rs.0.62 lakh crores compared to year-ago level, however, increased from Rs 0.54 lakh crores reported in Sept-20. This was owing to increase in provisioning for NPAs for accounts that have not been classified as NPAs following the Supreme Court's order, or else the provisions would have been lower than reported.

- The public banks accounts for ~66% share of all SCBs, with SBI alone accounting for ~17% (Rs 10,342 crores) share followed by Union Bank of India (Rs 5,256 crores), Punjab National Bank (Rs 5,433 lakh crores) and Canara Bank (Rs 4,325 crores). Amongst PVBs (34% share), Axis Bank and HDFC Bank accounts for the highest share in provisioning.

- Previously, following the outbreak of Covid-19, RBI had mandated all banks to make 10% additional provisioning over a period of two quarters (5% each in March and June 2020 quarters) on loan accounts where moratorium benefit had been extended, which resulted in banks providing higher additional provisions beyond the RBI's mandatory rate during both the quarters (provisioning of Rs.0.33 lakh crores by PVBs and Rs.0.50 lakh crores by PSBs in Mar-20; and in the quarter ended Jun-20 PVBs made provisioning of Rs.0.25 lakh crores and PSBs-Rs.0.38 lakh crores).

- Additionally, the pandemic and resultant economic disruption have impinged on credit demand and could lead to a further credit deterioration in the performance of banks resulting in need of higher provisioning impacting the performance of banks and requirement of higher capital.

Figure 16: Provisions



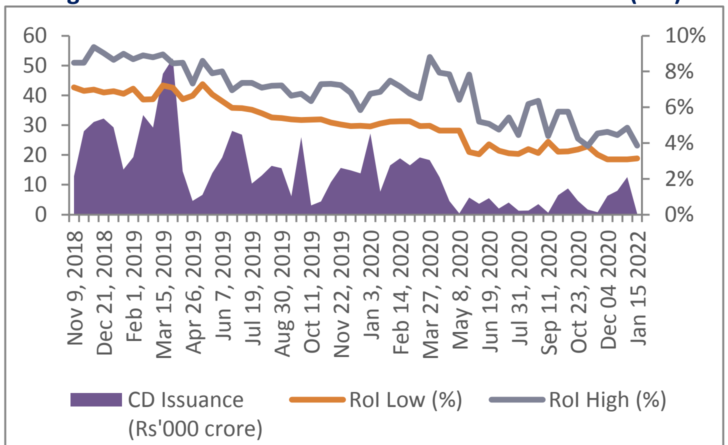
Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

O/s Level of CDs declined over last fortnight while that of CPs increased

Figure 17: Certificates of Deposit Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 22, 2018	174.5	57.0%
Sep 28, 2018	151.0	31.9%
Dec 21, 2018	180.7	42.3%
Mar 29, 2019	272.3	46.6%
Jun 21, 2019	215.9	23.8%
Sep 27, 2019	188.1	24.6%
Dec 20, 2019	160.7	-11.1%
Mar 27, 2020	173.0	-36.5%
Jun 19, 2020	121.5	-43.8%
Sep 25, 2020	75.6	-59.8%
Jan 1, 2021	75.0	-57.3%
Jan 15, 2021	68.0	-61.9%

Figure 18: Trend in CD issuances and rate of interest (RoI)

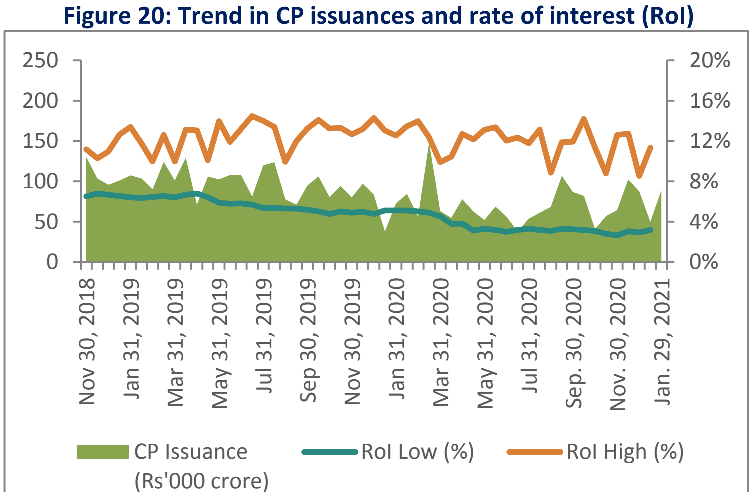


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Figure 19: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 30, 2018	491.8	49.3%
Sep 30, 2018	556.2	41.4%
Dec 31, 2018	498.7	21.9%
Mar 31, 2019	483.1	29.7%
Jun 30, 2019	503.9	2.5%
Sep 30, 2019	459.7	-17.3%
Dec 31, 2019	414.9	-16.8%
Mar 31, 2020	344.5	-28.7%
Jun 30, 2020	391.5	-22.3%
Sep. 30, 2020	362.3	-21.2%
Jan 15, 2021	386.2	-6.9%
Jan 29, 2021	410.7	-5.6%

Figure 20: Trend in CP issuances and rate of interest (RoI)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Select RBI Announcements

Announcement	Details
RBI releases Discussion Paper on Revised Regulatory Framework for NBFCs- A Scale-Based Approach	• RBI has issued a discussion paper to introduce a revised scale-based regulatory framework for NBFCs and has sought comments on the same. (refer report -RBI seeks to introduce Scale-based Regulations for NBFCs)
RBI's Financial Stability report	• The Financial Stability Report of the RBI presents a contemporary picture of the Banking and Financial Services sector which is going through challenging times due to the Covid-19 pandemic and the consequential stressed economic environment. • Bank credit growth has remained subdued, with the moderation being broad-based across bank groups. • Performance parameters of banks have improved significantly, aided by regulatory dispensations extended in response to the COVID-19 pandemic.
Reserve Bank constitutes a Working Group on digital lending	• Digital lending has the potential to make access to financial products and services more fair, efficient and inclusive. • A balanced approach needs to be followed so that the regulatory framework supports innovation while ensuring data security, privacy, and confidentiality and consumer protection. • The Group has been advised to submit its report within three months.
SLR Holdings in Held to Maturity category	• In order to provide certainty to the market participants in the context of the borrowing programme of the centre and states for 2021-22, RBI decided to extend the dispensation of enhanced HTM of 22% up to March 31, 2023 (from

	earlier March 31, 2022) to include securities acquired between April 1, 2021 and March 31, 2022. • The HTM limits would be restored from 22% to 19.5% in a phased manner starting from the quarter ending June 30, 2023. It is expected that banks will be able to plan their investments in SLR securities in an optimal manner with a clear glide path for restoration of HTM limits.
Restoration of cash reserve ratio (CRR) in two phases to 4%	• The CRR will go up from 3% to 3.5% effective from March 27,2021 and to 4% effective from May 22, 2021. Previously, the CRR was relaxed from 4% to 3% in March 2020.

Source: RBI

Union Budget 2021-22 (Announcement on Banking Industry)

Announcement
• Asset reconstruction company (ARC) to be set up to take care of NPAs currently in the book of banks
• Divest government stake in two Public Sector Banks (PSBs), apart from previously announced IDBI Bank
• Public Sector Banks (PSBs) recapitalization plan at Rs 20,000 crore
• Streamline Provisions of the DICGC Act so that deposit holders can access their money faster
• Agriculture credit availability target set at Rs 16.5 lakh crores (vs. Rs 15 lakh crore in the previous year higher by 10% vs increase of 25% last year)

Contact:

Sanjay Agarwal	Senior Director	sanjay.agarwal@careratings.com	+91-22-6754 3582	+91- 81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careratings.com	+91-22-6754 3573	+91- 90049 52514
Shobhna Kanojia	Deputy Manager – BFSI Research	shobhna.kanojia@careratings.com	+91-22-6754 3519	+91- 816 945 9228
Mradul Mishra	(Media Contact)	mradul.mishra@careratings.com	+91-22-6754 3573	

CARE Ratings Limited
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel. : +91-22-6754 3456 I CIN: L67190MH1993PLC071691

Connect: